

# *The* MANAGEMENT REVIEW

Volume XXII

APRIL, 1933

Number 4

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Published Monthly by the

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20 Vesey Street

New York, N. Y.

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THE MANAGEMENT REVIEW is published monthly by the American Management Association at 20 Vesey Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXII. No. 4, April, 1933. Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

# *The* MANAGEMENT REVIEW

April, 1933

## An Appraisal of American Industry \*

By THOMAS F. WOODLOCK, *Contributing Editor,*  
*Wall Street Journal*

WHAT we call the present "depression" is an economic crisis more severe in character and more fundamental in scope than any of the previous "cyclical" depressions of which we have record. They were in the main mere episodes in a developing but still comparatively stable order. This is not an episode but a period of transition and change which profoundly affects practically all the social relations of men. It is important that we recognize this fact and take note of the changes that seem to be in progress; otherwise we cannot intelligently plan to effectuate the principles in which we believe. I shall attempt to indicate in broad outline what seems to me to be the most important changes now in progress.

First among these is the challenge, now for the first time becoming articulate, definite and insistent, of the so-called "unprivileged" to the so-called "privileged," directed against the inequality in distribution of this world's material goods. This challenge will not be denied. Whatever social order may emerge from the present flux, distribution of income and wealth will assuredly give to this class a relatively larger share of the total, whatever that total may be, than before. That at least is certain. The great question is whether this relatively larger share will be absolutely larger—that is whether the total income and wealth available for distribution will continue to grow.

The distinguishing features of the nineteenth century are the increase in the population of the civilized world and the great improvement in the living standards of that population taken as a whole. These were the result

\* This paper was presented at the Catholic Conference on Industrial Problems, held at the Hotel Astor, New York, Feb. 6, 1933.

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of peace, the growth of popular liberties, and the achievements of applied science in industry and commerce. From the end of the Napoleonic era to the outbreak of the World War the world enjoyed on the whole a state of peace with but one really serious breach, and that—the Franco-Prussian War—serious only in its more remote consequences, and otherwise of little immediate influence upon economic progress. The growth of popular liberties was rapid enough to stimulate economic enterprise, but not rapid enough to develop at once those certain inherent weaknesses now apparent. The advance in industrial technique was uninterrupted and at a rate for which human history furnishes nothing at all comparable. In a word, the nineteenth century completely changed the face of the earth or at least that portion of it which we call civilized. It gave for the first time in history a certain modicum of economic strength to the great mass of men who had hitherto been without it. It is this modicum of economic strength which has put force into the challenge of the mass.

The second important thing to note is that during this period of economic progress there were developing certain serious diseases in the social order. These were at first latent and insidious but finally became acute. The present crisis is the result of their emergence and the problem that confronts us is to discover their cure. These were a breakdown in the political order as a result of the growth of the so-called "nationalism," and a breakdown in the economic order as a result of internal anarchy growing out of unrestrained individualism running wild. A third development (in the political order) also took place to which I shall presently refer. . . .

The first thing to note concerning the war is that after more than eighteen years we have not yet achieved a peace. We have no more than an armistice, and peace—of the kind the nineteenth century enjoyed—is yet to be achieved. That is an absolutely fundamental requisite to resumption of normal economic activity. The second thing, which follows from the first, is that the war has left behind it a mass of sterile debt of all kinds which is gradually bleeding to death the remaining productive wealth of the world by engendering intolerable debtor-creditor relations both internal and external. Until that dead debt is somehow or other eliminated the tension created by these relations will not be relieved. The third thing to note about the war is that the consequence of the action of these debts upon our money and credit structure has been to destroy profit in industry and commerce and paralyze the activities of both. The fourth thing to note is that the continued universal tendency of nations to isolate themselves from others in an attempt to make themselves "self-supporting" greatly accentuates this paralysis. As a result of these things the material progress made during the nineteenth century is being rapidly dissipated in the twentieth, and the breakdown in the political order is mainly to blame.



But a serious breakdown also occurred in the economic order which would of itself have produced great difficulties even had the political order been reasonably healthy—namely, the development within it of anarchy, threatening its very heart. The root principle of that order's activity was unrestrained competition, unrestricted individualism. But the development of industrial technique was based upon division of functions and application of machinery, always with the object of reducing the necessity for human arms as power and human hands as guide. This called for a coordination and integration of functions, much as a modern factory must coordinate its various departments if its output is to be maintained. Very few industrial units are completely integrated so as to control product from the earth to the consumer. Most, even the largest, are but separate departments in this respect. There has thus far been no power in existence to coordinate the whole. Production of raw material has been carried on independently of its processing and manufacturing has been conducted independently of distribution.

In addition to this, the extraordinarily rapid development in the industrial arts was such as to create obsolescence almost as rapidly as it created improvements. The result was that investment of new capital tended to destroy capital already invested and new methods tended to destroy profits from old methods. So long as new wants were being created by a rapidly increasing population this anarchy and obsolescence were disguised or were at all events not sufficient to bring the machine to more than an occasional halt. Nevertheless, we know that, as a result of their presence, a vast amount of capital invested in plant, machinery and so forth no longer represents real productive wealth and is lost save only for such salvage as may be gleaned from the land on which the plant stands and the "scrap" recoverable from the machinery. So much of the capital thus lost as is represented by debt is an addition to the burden of dead debt created by the war.

We now realize that *laissez-faire* has broken down because it has with the aid of science and the technique of organization literally committed suicide by destroying the very thing which was its main object—profit. In a word, we know that if we desire the material benefits of applied science and organization, unrestricted individual competition must somehow give place to cooperation as a ruling principle of our economic life. Just as achievement of international peace is a *sine qua non* of the world's economic recovery, so this shift from competition to cooperation is almost equally indispensable.

. . . The Christian world, so-called, has been undergoing for more than a century a process of paganization in practice which has now developed its own coherent system of philosophy. The effect of this is to substitute for (the then still powerful) centripetal influences—inherited from the believing ages—of a hundred years ago, violently centrifugal tendencies, which reflect themselves in all the manifestations of human activities and personal conduct from art, music and literature to politics and even the home. One of the con-

sequences of this which particularly touches the economic problem is the extraordinary drop in the birth rate in the last twenty-five years—a phenomenon present in almost every one of the so-called civilized nations. Much more will be heard of this later on; for the present we may be content to note the fact.

One more important development is to be noted which tends to increase the difficulties of our situation. That is the tendency of popular government (where it still exists) to approach the form of direct democracy. The effect of this is to place the reins of power in the hands of the "mass" or the "majority" and displace the more capable "minority." This phenomenon is fully described and analyzed by Jose Ortega y Gasset in a notable book published for the first time in English in this country last year, and entitled "The Revolt of the Masses."<sup>1</sup> In my opinion this phenomenon is of the very first importance—if for no other reason than that it holds within itself possibilities of danger not merely to the world's economic wellbeing, but to the entire social order itself and to human liberties.

The things which have been enumerated are in no sense in the nature of episodes; they touch the very fundamentals of human social relations. All are controllable—at least in theory—but to control them is a matter of extraordinary difficulty, for it requires a control of individual and "mass" emotion by some force of a spiritual nature. Without this there is little hope for a survival of human liberties. We shall drift to one or another extreme—that of an iron-handed dictatorial feudalism in the control of the strongest, *i. e.*, fascism—or a drab despotism by the "mass" with a consequent withering of human comforts of the kind to which our generation considers itself accustomed.

Meanwhile we are confronted by the stark necessity created by unemployment. That is the immediate problem which must somehow be grappled whatever else is attempted. I assume that we shall be able to see to it that no one starves or lacks a minimum of shelter. But the problem of employment will still remain. And this is part of the problem of real income and real wealth—the total of which we assume must be more widely distributed. We must face the fact that totals of both income and wealth have shrunk in catastrophic fashion in the past three years. I have little faith in the figures commonly attached to these things absolutely regarded, and in conclusions commonly drawn from these figures. They are of value, however, when relatively regarded. Such figures as we have indicate that the total amount of income available for distribution is at present not much more than half what it was four years ago. As for wealth—what has happened to that may be judged by the "bloodless verdict of the market place" and the state of the real

<sup>1</sup> W. W. Norton & Co., New York, N. Y., 1932.

estate market. We are just beginning to realize that taxation of "large incomes" has reached the point of diminishing returns and that "wealth" is in the same situation as income only perhaps worse. A common expression heard today is that there are no rich men left and there is more truth than poetry in the saying.

Before there can be a real redistribution of national income and a wider distribution of property, *i. e.*, wealth, we must get the industrial machine going again and create the means of coordination and control necessary to enable it to function with some approach to efficiency, so that the general social surplus shall continue to grow. That surplus is much smaller today than most people apparently suppose and is still, seemingly, shrinking. That is something necessary to have clearly in mind when emergency measures are under consideration—otherwise we may find our last stage worse than the first.

In summary, I have no patent "way out" of the present crisis. So far as emergency measures are concerned I favor anything which will not in the long run—and not in a very long run—cost more to society than it is worth, and can be effectuated without destroying more with the left hand than it produces with the right. That is the only test I would apply to any proposal. For a restoration of reasonably normal economic conditions, it seems to me that the following things are indispensable; they are stated in the order of their importance as I see that order:

First, the achievement of international peace. Modern civilization cannot exist if there are to be any more modern wars. The two are absolutely incompatible;

Second, such a coordination and control of industry as will make it consciously cooperative and yet preserve a field for individual initiative and ability—a most difficult thing to achieve, but we must aim at it;

Third—which must in time come first—a recognition that a great part of existing debt cannot be paid and must somehow be written off the slate before we can start afresh; and

Lastly, we must somehow endeavor to avoid either extreme in dealing with these problems—that of hasty grasping at anything that seems to offer remedy and that of despair over the difficulties. Above all it is necessary for us to understand the true nature of the problems. My purpose has been to suggest some of its main characteristics.

## THE MANAGEMENT INDEX

### Abstracts and News Items

#### GENERAL MANAGEMENT

##### The New Farm-Relief Bill

Insofar as it affects farmers of the corn and wheat-belt areas, the Administration's program for farm relief offers features adopted from the original Domestic Allotment bill and ties them into a land-leasing plan that promises a definite contraction of production. In this respect, it is an improvement on previous programs in that it recognizes the law of supply and demand.

Mr. Black sees one important omission in the Administration's farm bill. He points out that a large part of the farm-mortgage indebtedness was incurred at the inflated land-value levels of 1917-20. These mortgages must be scaled down before lasting improvement can be brought to agriculture, he says. By William Palmer Black. *Barron's*, March 20, 1933, p. 5:2.

##### The Human Side of Management

In the first of a series of three articles, the president of Remington Arms Company says that to have human management it is necessary to have a real human being at the head of the business. He discusses the advantages of being this type of executive—and the drawbacks of being "too human" in business. By Saunders Norvell. *Sales Management, Section I*, March 15, 1933, p. 246:3.

##### Business Men Due to Clash on Plans

A clash between two rival schools of business thought, one of which is composed of so-called conservative business men who are clinging to pre-depression principles and the other made up of those advocating "enlightened selfishness" in the belief that

industry's best interests will be served by subordinating profits to the general welfare, is impending, George A. Renard, Secretary-Treasurer of the National Association of Purchasing Agents, said recently. Mr. Renard's statement was based upon sentiments expressed by trade association executives and business men in reply to more than 400 letters sent them.

Mr. Renard called attention to a reply received from the executive of one of the leading national trade associations, who characterized as "consummate stupidity" the present "dog-eat-dog" tactics of business. "I have failed to hear of a solution (it might well be born of enlightened selfishness) which recognizes that in the long run the best policy for business men provides fair treatment and a higher standard of living for all," his letter pointed out. "A high standard of living is now made possible for the first time because of recent discoveries and inventions." *The New York Times*, Feb. 26, 1933, p. N 15.

##### New Trends in Management

On the whole, it is clearly evident that in the exercise of managerial functions the thinking and acting of American industrial executives is in the direction of greater regard for the social consequences of economic policy. Industry's primary responsibility to its stockholders is still recognized, but the conviction has been growing that this economic responsibility is closely linked with an obligation, equally binding upon industry, to render also a social service. There is abundant proof that American industry is discharging this obligation.



It is doing it in well considered, sound ways because it finds it good business as well as good social policy to do so. The narrow individualism of the past is rapidly being supplanted by intelligent cooperation in solving the problems of industry without weakening the competitive process, but rather strengthening its potentiality for economic and social good. The closer relationship now prevailing among executives in American industry is in itself an educational force contributing to the development of sound policies.

Insofar then as there are any discernable trends in American industrial management, they are toward a leadership animated by a spirit of social service as well as of economic achievement and imbued with a desire and determination to make management a constructive factor in the social progress of the nation. By Magnus W. Alexander. *Trained Men*, Winter, 1933, p. 3:4.

### Japan

This special supplement presents a general review of industrial and financial conditions in Japan. Articles by American and Japanese authorities are included. *The New York Journal of Commerce*, Feb. 15, 1933, Second Section. 80 pages.

### The Probable Five-Year Future of Steel

While, since the World War, productive capacity in this industry may have increased too rapidly, depression has shown possibilities as well as necessities, to an extent impossible under other conditions. The younger generation of executives educated in the past three years in a school of experience not available to the previous generation, will be the means of establishing the steel, as well as other industries, on a new and more stable basis. Management will remain the most essential element in industry. Ability and experience of leadership has improved, potential demand has increased, and possibility for employment of modern and competitive facilities has not been better since 1900. The losses resulting from our feeling of

false security in the "new era" of 1929 may ultimately be in large part offset by our experience of adversity in 1932. By Robert E. Baker and Harold R. Moorhouse. *Harvard Business Review*, January, 1933, p. 133:13.

### Papers and Proceedings of the Forty-Fifth Annual Meeting of the American Economic Association

*The American Economic Review*, March, 1933, Supplement. 206 pages.

### Business Magazines

This is a descriptive list of over 300 business periodicals, covering more than 100 subjects. An alphabetical list gives name, address and subscription rate for each magazine, together with a brief note of the data it covers. Such subjects as market prices, exchange quotations, investment quotations, book reviews, are noted. Following the alphabetical list is a subject index which indicates the important magazines in different fields. Compiled by Marian C. Manley. *Business Branch of the Newark Public Library*, 1933. 31 pages.

### Determination of Standards for the Establishment of Household Budgets for the Expenditure of Money, Time and Energy

Prepared by a Committee of the American Home Economics Association. *Proceedings of the Fifth International Congress for Scientific Management*, Amsterdam, July 1932, p. 8-1:60.

### The Bonbright Survey of Electric Power and Light Companies of the United States

The ninth annual issue of a directory of electric light and power service in places of 2,500 population or more, listed alphabetically by states, with a key map and table for each state, picturing electric utility holdings. A list of holding corporations and subsidiary companies in corporate structure is included. Indication of the source of energy purchased in bulk by

municipal systems and distributed over municipal lines constitutes an innovation in the present edition. Edited by G. F. Wittig and J. A. Stuart. *McGraw-Hill Publishing Company, Inc.*, 1933. 184 pages.

### Changes in Cost of Living in the United States

The cost-of-living index number of the Bureau of Labor Statistics for December, 1932, shows a decline of 2.7 per cent from that for June, 1932. The decline during the 6-month period averaged 1.4 per cent for food, 4.9 per cent for clothing, 7.7 per cent for rents, 0.1 per cent for fuel and light, 3.9 per cent for house furnishing goods, and 1.4 per cent for miscellaneous items. As compared with the base year 1913, however, the figures for all of these groups except food were much higher in December, 1932, the increases between the two dates ranging from 18 per cent for

rents to 99.3 per cent for the miscellaneous group, the increases for the other groups being 21.5 per cent for clothing, 47.4 per cent for house furnishing goods, and 56.9 per cent for fuel and light. Food showed a decrease of 1.3 per cent between 1913 and December, 1932. *Monthly Labor Review*, February, 1933, p. 429:14.

### The International Labor Organization

A symposium on the work and the relations of one of three permanent international agencies established under the Treaty of Versailles, under the general headings: Nature and Origin; International Relations in the Organization; Some Contributions to Current Economic Problems; the Organization in Action; the International Labor Organization and the United States. Edited by Alice S. Cheyney. *The Annals of the American Academy of Political and Social Science*, March, 1933. 239 pages.

## FINANCIAL MANAGEMENT

### World Without Money

A discussion of the conflict between the real world and the money world by the author of "A New Deal" and "Your Money's Worth." He says: "It is probable that within the next few years America will be forced to revolutionize its medium of exchange. The money and credit system as we have known it is sinking rapidly. There may be one more inflationary boom in it and there may not. The debt structure, reared to such majestic heights over the last century on the galloping principle of compound interest, has about reached its zenith, and its only future course is apparently downward—probably precipitately, with an interest rate of zero as its final goal. Purchasing power, which has lagged so alarmingly behind production in recent years, is at last entangled on the brink of a chasm too vast to be abridged by any fiscal methods falling under the head of business as usual."

The pathology of money has affected our thinking to such an extent that we have lost sight of reality, Mr. Chase contends, and suggests that "one way back to sanity is to look at economic history with dollar signs omitted." By Stuart Chase. *Scribner's Magazine*, February, 1933, p. 74:6.

### The Banking Crisis and the Emergency Banking Legislation

Among the recent articles which discuss the banking crisis and the emergency measure enacted by Congress as a result, are the following:

The Government and the Bank Crisis—What the Present Situation Probably Fore-shadows. By Alexander D. Noyes. *The New York Times*, March 13, 1933, p. 23.

Lessons of the Banking Disaster. By Col. Leonard P. Ayres. *Commerce and Finance*, March 15, 1933, p. 250:2.

Bank Situation Being Clarified. *Baron's*, March 13, 1933, p. 9:1.

A New Deal in Banking. By Theodore M. Knappen. *The Magazine of Wall Street*, March 18, 1933, p. 564:4.

Nearing Normal Banking Operations. *Barron's*, March 20, 1933, p. 17:2.

The Country Stands the Strain—Relief for Banking and Industry in Sight. *The Commercial & Financial Chronicle*, March 18, 1933, p. 1769:1.

Outline of a Concrete Program. *The Silberling Reports* (Silberling Research Corp.), March 4, 1933, p. 2:3.

Aspects of the New Crisis. *The Brookmire Forecaster* (Brookmire Economic Service), March 6, 1933, p. 1:4.

The Banking Situation and Commodity Prices. *The Brookmire Commodity Bulletin* (Brookmire Economic Service), March 20, 1933, p. 1:2.

The Bank Holiday. *Business Conditions Weekly* (Alexander Hamilton Institute), March 11, 1933, p. 1:2.

Progress in the Right Direction. *Business Conditions Weekly*, March 13, 1933, p. 1:1.

The Emergency Banking Bill. *Barron's*, March 13, 1933, p. 8:3.

A Simplified Discussion of the New Emergency Banking Act. *The Bulletin* (Ernst & Ernst), March 14, 1933, p. 1:4.

### Barter and Scrip

A description of the various experiments with barter and the use of scrip for exchange of goods instead of real money in the United States. That such a system could be put into effect in the United States even by national action is improbable, it is concluded. In any event its immediate effect would be to further dry up sources of credit which are not only vital to industry but to workers and consumers dependent upon it. *American Bankers Association Journal*, March, 1933, p. 35:5.

### Have the Trusts Met the Test?

How eight leading investment companies have weathered the depression and a venture as to their outlook is told. Attention is drawn to the drastic operating economies which these investment trusts have

been able to effect and how they have managed to keep reasonably stable operating ratios during the depression. By Arthur A. Winston and Eliot Sharp. *Barron's*, Feb. 27, 1933, p. 22:1.

### Maintaining the Value of the Dollar

Now that the United States has temporarily suspended gold payments, the prevention of depreciation of the dollar in foreign exchange becomes of outstanding importance. The current position of the United States as to incoming and outgoing payments is favorable to the maintenance of the value of the dollar, and weakening could result only from unusual transfers of funds, either foreign or domestic, to other countries. This would be a matter of transfers of bank balances held here or of the proceeds of sales of securities in our markets.

Favorable judgment on the position of the dollar, particularly by foreign nations, would go far toward preventing such transfers. The Editor of the *Review of Economic Statistics* points out that foreign opinion on this point is determined to a large extent by the condition of the national budget. Especially effective in maintaining the position of the dollar would be steps looking toward return to free gold movements as soon as practicable. The sound solution of the most general governmental and political problems would clearly form the most effective safeguard to the position of the dollar. By Joseph B. Hubbard. *Barron's*, March 20, 1933, p. 3:2.

### Inexorable Readjustment of the Capital Structure

The general readjustment of the capital structure of industry is getting fairly under way. In the great body of investment capital represented by common stocks, the readjustment is brought about automatically as the result of the passing of dividends, a recognized crumbling away of the value once represented by earning power. Three leading mortgage companies of New York announce that the movement

for a voluntary reduction, by the holders of mortgage participations, of the net rate of interest from five or five and a half to four per cent, has already received the approval of a large percentage of the holders. It is likely that the process of capital reduction, already largely accomplished in industrial equities, characteristically exemplified in common stocks, will get down, before we are through, to the bonded or secured debt. Widespread readjustments are to be looked for as indicating the approach of the final stage of a great depression. Until such readjustment has occurred, the channels of industry are apt to remain clogged with the dead mess of capital structures from which most of the value has departed. By M'Cready Sykes. *Commerce and Finance*, Feb. 22, 1933, p. 191:1.

### The Road to Recovery

The fundamental fact to keep in mind in working for recovery is that present conditions call for a downward revision of prices from the pre-depression level inflated by the reckless use of credit. Some of the most important specific tasks which must be accomplished are:

1. Readjustment of both public and private debts in respect to payments on the interest or on the principal or on both. This applies to both domestic and foreign debts, especially the war debts; 2. Reduction of government expenditures and of taxation; 3. Balancing of government budgets; 4. Conversion of short term government paper into a long term bond issue; 5. Abandonment of all inflation plans. Maintenance of the gold standard and sound money; 6. Readjustment of tariff schedules by the United States and foreign countries; 7. Return of foreign countries to the gold standard; 8. Reduction of the world's military and naval expenditures. Refusal to pay the soldiers' bonus in the United States and curtailment of pensions; 9. Reorganization of the banking system; 10. Restriction of the Reconstruction Finance Corporation's loans to the needs of orderly liquidation; 11. Completion of price

deflation in the case of manufactured goods; 12. Deflation of gas, electricity, water and telephone rates; 13. Reduction of freight rates; 14. Revision of topheavy financial structures; 15. Downward revision of those wages which have not undergone the necessary deflation such as railroad wages and the wages of government employees; 16. Abandonment of all farm relief plans involving an artificial increase in the prices of farm products. Restriction of farm relief plans to adjustments of taxes, mortgages and other debts. *Business Conditions Weekly* (Alexander Hamilton Institute), Feb. 25, 1933, p. 1:2.

### The Position of Auditing and Accounting in Germany

With the introduction of obligatory accounting for German corporations and the creation of a position for the publicly appointed business auditor (*Wirtschaftsprüfer*), a new development may be said to have begun in German auditing and accounting. It may be assumed that the profession of expert business accountant has stood the test as regards not only the function of accounting but also that of the counsellor of the business, and also that thereby the significance of the sphere of influence of the new profession will develop considerably in the future. A particularly significant responsibility, moreover, rests upon the German commercial universities to train men qualified for this profession by a thorough foundation of juristic as well as economic knowledge. By Otto Hintner. *Harvard Business Review*, January, 1933, p. 196:9.

### The Causes of the Present Depression and Possible Remedies

According to the president of the Chase National Bank, the main explanation of the unprecedented financial boom, the unprecedented financial break and the unprecedented severity of the depression is to be found in the following three factors: intergovernmental debts; high protective tariffs and other trade barriers, increasing in severity throughout the commercial world,



including high protective tariffs on the part of our own country, which had suddenly become creditor on a great scale; and six years of cheap money and rapid bank expansion.

Mr. Aldrich then makes the following proposals as remedies: 1. Prompt settlement of the inter-allied debts; 2. Prompt reciprocal reduction of tariffs and the moderation of other trade barriers; 3. While these basic measures for restoration of normal activity are being put through, the continuance of a policy of emergency credit relief, making use of the Reconstruction Finance Corporation; 4. The extension of emergency credit relief to the farm mortgage situation and also to certain city mortgage situations when, in the judgment of the Reconstruction Finance Corporation, a general financial interest is involved. *A statement made by Winthrop W. Aldrich before the Finance Committee of the United States Senate, Feb. 22, 1933. 36 pages.*

#### The Trial Balance

The limitations of the trial balance, the break even inventory, and analysis of the trial balance, by preparing therefrom estimated financial statements, based on an actual case, are discussed in the first section of this two-part article.

The second part considers three forms of procedure in preparing estimated financial statements from the trial balance. The trial balance analysis, in view of its many

limitations is not a science which can be reduced to so many rules and formulas, it is stated. Valuable guidance in credit determination, however, can be obtained from the trial balance if it is properly analyzed, interpreted and tested for plausibility. By Herman Chirlian. *Credit Executive*, December, 1932, p. 13:3; January, 1933, p. 22:3.

#### What to Watch When Making Commodity Loans

Commodity loans are an integral part of banking. In some sections of the country, notably those where cotton, grain, and wool must be financed, they are a major activity of almost every bank. It is, however, surprising to find a lack of familiarity with the subject among many banks, especially those of small communities.

The advantages to the bank and to the customer of warehouse receipt collateral are many. Unquestionably a great many banks which are not now using this method could profit by adopting it. When properly handled, it makes for loans which are absolutely safe. And it permits loaning large sums to many customers who might otherwise command a much smaller line of credit, or none at all. Both of these advantages are particularly important in times like these. The major requisites of a sound commodity loan are outlined. By George C. Dreher. *The Burroughs Clearing House*, February, 1933, p. 10:3.

#### Insurance\*

##### Unemployment Insurance Problems

Practicability is the important question in connection with this problem. In our anxiety to prescribe remedies for a widespread condition of unemployment, we should not depend too much on the hope that they may, by some miraculous intervention, prove successful. Rather we should first study carefully and as expertly as possible, both the ailment and the proposed remedy so that we can fortify our

prayers with knowledge. Earlier opinions have become modified as experts have developed their studies and certain definite limitations of the scope of unemployment insurance are recognized more clearly than they were five years ago. The author states that one factor in the definition of insurance which seems not always to be fully comprehended by some advocates of insurance as a remedy for unemployment is that, in any insurance project, benefits

\* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Co.; Vice-President in Charge of Insurance Division, American Management Association.

which are to be paid out on the occurrence of a loss can have their source only in a fund accumulated prior to the loss by collections from the individuals insured and/or from others. Insurance collects and distributes funds but it does not and cannot create funds. Advice and caution are to be found in these and other logical statements in this article. By Leroy A. Lincoln. *The Weekly Underwriter*, Feb. 11, 1933, p. 293:3.

#### Outage Insurance

This recent development in policy underwriting is similar to Use and Occupancy, but covers expenses not taken care of by the latter policy. It is used in connection with boiler and machinery risks supplementing direct damage insurance. Payments are not dependent upon prevention or reduction of business. For example, an accident may cripple the power plant but the owner or operator may be equipped with an emergency connection with an outside public utility and may continue to operate under that outside power. The latter may cost more; it is this increase which would be recoverable under the outage policy. *The Spectator*, Jan. 19, 1933, p. 36.

#### Group Life Insurance

A delineation of its historical background, definition and development. By William J. Graham. *Industrial Relations*, Dec. 31, 1932, p. 706:7.

#### Policy Holders and Taxation

Insurance taxes originally introduced to cover expenses of State regulation of the insurance business for the benefit of the policy holders are now almost entirely levied for general revenue purposes. Discrimination and assessment of unfair share are discussed. The great expense attached to the collection of these taxes by the insurers, commission paid to agents on that portion of the premium representing taxes, taxes on returned premium and other features are cited. The public as represented

by policy holders, insurance committees, etc., are urged to acquaint themselves with these conditions. Accompanying tabulation shows a reported total of over \$95,000,000 for the year 1931, as assessed in the United States. *Insurance Bulletin No. 41, United States Chamber of Commerce*, Dec. 31, 1932.

#### Employees' Reserve Funds

Conclusions from an unprejudiced source following extensive studies are to be found in this article. The writer points out that it has long been accepted without question that a corporation must set up reserves against emergencies and against depreciation of physical property, and the writer asks if the answer to the unemployment problem is not the application to the worker of a practice that has proved sound for business. Experience has shown the desirability of creating an independent fund under the joint administration of employers and employees, but which is neither controlled by nor the responsibility of the employer. Carrying this principle of individual reserves to its logical conclusion, the four major classifications of personal emergencies of death, personal injury and illness, unemployment and old age are covered in the same way. By Ralph S. Westing. *Industrial Relations*, November-December, 1932, p. 531:4.

#### Automatic Fire Alarm Systems

Those interested in protective and warning devices will find many interesting points in the two sections of this article. The writer believes that there is much more value to be attached to such systems than is commonly acknowledged and that credit given in the rating is often insufficient. By William H. Rodda. *The Weekly Underwriter*, Feb. 4, 1933, p. 251:2; March 4, 1933, p. 445:2.

#### Haste Makes Waste

Following a partial loss the owner of a building received from the City Building Department an order to vacate because of unsafe conditions, not based upon the fire

damage but upon its status prior to the fire. Of course, the owner could not collect a full loss under fire policies; secondly he lost all of his rights to recover because he proceeded with the demolition before expiration of thirty days after filing proof

of loss. This decision by a New York Court is based on the privilege granted by the policy which gave the insurer thirty days to decide whether to exercise his option of repairing or paying for the damages. *Credit and Financial Management*, January, 1933, p. 44:1.

## OFFICE MANAGEMENT

### Organization: *Job Analysis, Employment, Pay, Tests*

#### How to Build Business by Building Confidence

Build confidence in the office, says L. C. Walker; Don't wait for a leader—be one, says John F. Ohmer; Sales managers build salesmen's courage—E. V. Walsh; Tell workers their jobs are safe, advises Rolland B. Marvin; P. D. Saylor believes that the most helpful phase of the present situation is that our people have arrived at a vantage point from which they can view conditions as they really are. *Forbes*, March 1, 1933, p. 8:2.

#### Measured Production

Measured Production and Production Payment Plans, by Harry Arthur Hopf; Piece Rate for Office Work, by Ralph Llewellyn; Motion and Time Study, by Allan H. Mogensen; Office Bonus Plan of the Nashua Gummed and Coated Paper Company, by Oscar L. Tacy; The Limitations and Pre-requisites of Financial Incentives, by C. Canby Balderston; Control of Office Output, by Andrew Robinson. *N. O. M. A. Forum*, February, 1933, 24 pages.

#### Recent Changes in Occupations of Women

Census figures were analyzed to find trends in the kinds of work women are doing. Employment of women increased 26 per cent from 1920 to 1930. Since 1880 the number of women employed in domestic and personal service has not quite trebled, while in manufacturing occupations

it is three times, in the professions almost nine times, in trade 18 times, and in clerical 268 times, the number reported 50 years ago. By Mary Elizabeth Pidgeon. *The Personnel Journal*, February, 1933, p. 289:6.

#### Collaboration Between Office and Technical Staff

The technician carries out the objects for which the firm exists; the office writes the history of the technical operations as they transpire, and, as historian, sometimes endeavors to make forecasts for the guidance of the technical staff. The office is only useful insofar as it serves the technical staff; in other words, insofar as it furthers the objects of the firm. The office cannot be efficient until the spirit and facilities for true cooperation have been established.

This close and necessary relationship may be built up in two ways, either by the introduction of a strong liaison officer, who has both a thorough working knowledge of the technical operations of the firm and a complete understanding of office methods; or it can be achieved by a general education of the office staff, with a view to making it appreciative of the facts which are represented by the data it is handling. A combination of both these methods is ideal.

The location of an individual in any particular job is often a matter of accident, and it is just as likely that promising technicians exist in the clerical staff as

outside the company, and if such candidates are found in an office which has been working with the aims of the firm in mind, they will have the initial advantage of a considerable knowledge of the firm's activities. Moreover, in recruiting technical staff in this manner, a further outlet for promotion, and impetus to staff circulation, is supplied, which provides further support to the maintenance of a morally youthful staff, and keeps the spark of ambition alight. By F. J. Power. *Industrial Welfare and Personnel Management*, December, 1932, p. 591:3.

#### **L'Amélioration du Rendement Dans un Bureau D'Études**

The author disputes the generally accepted idea that intellectual research and creative work cannot be measured. The

achievement in any kind of work depends on the goodwill and on the effort; means must be found to make it possible to measure the production. To increase the production the employees, either individually or in groups must have a direct interest in the production. The system by which the remuneration will be calculated, must be as simple as possible, so that the calculation will be clear to all, without which the introduction of the system will not succeed. An example is given of a system of payment used by a firm of engineers and designers. The results obtained are: increase of production 100 per cent; increase of salary 50 per cent; decrease of the cost price 53 per cent. By Charles E. Abdullah. *Proceedings of the Fifth International Congress for Scientific Management*, Vol. II, Amsterdam, July, 1932, p. 7-71:5.

#### **Records: Forms, Charts, Cards, Files, Statistics**

##### **Taking Inventory of Materials and Supplies on a Large Railroad System**

In the Pennsylvania Railroad Company the taking of inventories by general divisions and departments and the spreading of the work over the entire year has resulted in a procedure which does not impose an undue burden on any department, or entail additional expense to the railroad. It enabled the accounting department to train a competent force of traveling auditors to supervise the work in a more efficient and economical manner and secure results which can be obtained only through the employment of a specialized force. It eliminated the confusion which existed all over the railroad when taking the entire inventory at one time, and relieved the accounting department from taking approximately 160 men from their regular duties for inventory purposes. It is no longer difficult for the accounting forces to effect a substantially accurate verification of the records.

All inventories are taken on the last day of the month, regardless of the day of the week on which that date occurs. The

procedure is under the supervision of the accounting department. The method in use in this company is explained in some detail. By J. L. Bradley. *N. O. M. A. Forum*, January, 1933, p. 9:5.

##### **Twenty Plans That Cut Mail Handling Costs**

Mail transmission efficiency is vital to effective company operations. Today increased postage rates make short cuts and economies particularly important. Suggestions for these are made. By Donn E. Rogers. *Management Methods*, January, 1933, p. 16:3.

##### **Centralized Filing is Key to Office Efficiency**

To be successful a centralized system must provide control over all correspondence, reports, etc., from the time they are received, distributed, and returned for filing. Responsibility includes the assembling, recording, attention and replies.

The system in use in the Pacific Gas and Electric Company is described. A



charge out procedure provides for the recording of all letters that are out of file, to locate them properly and quickly. A follow-up system is managed by the central filing department so that correspondence awaiting reply or requiring later attention is placed in folder under date requested. To provide a daily record of letters written, a form called a "line up" is prepared by each stenographer showing to whom a letter is addressed and a very brief

statement of the subject, to which is attached all of the letters referred to and released to the file department. As a check for error in filing, a segregation according to filing drawer numbers is used that minimizes these possibilities. Some of these refinements are desirable, of course, only when the volume of filing warrants them.

A few of the forms used in this system are illustrated. By T. W. Hawley. *Management Methods*, February, 1933, p. 67:2.

### **Benefit Systems and Incentives: *Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership***

#### **The Application of Incentive Wage Payment Plans to Office Work**

Office work abounds in wasteful operations which become apparent only by painstaking analysis. There is comparatively little competitive work except in large offices. However, all office work moves in cycles which are distinctly measurable. There is a tendency nowadays to look upon incentive wage plans as a panacea, and to install them without reference to conditions. No incentive plan should be adopted until working conditions are first standardized. Much preliminary work is necessary in what is called the pre-standardization stage, the stage in which the obvious waste is eliminated. Standardization should include not only the job but the surroundings, the equipment, and the tools of the job. Motion study is peculiarly applicable to office work. Time study is necessary for setting standards, and is not materially

different in office work from that used on factory operations, except that since there are many variables in office work, there is need for many statistics being compiled and for equivalent times to be used extensively. Various methods of wage payment have been applied to office work with success, the author's method being a graduated bonus plan.

Office organization actually loses in effectiveness when the effort is made to speed up men and processes without preparation of the soil through preliminary waste studies, the adequate standardization of all the conditions affecting the performance of the various tasks and the upbuilding of staff morale. By W. H. Leffingwell. *Proceedings of the Fifth International Congress for Scientific Management, Vol. II*, Amsterdam, July, 1932, p. 12-1:15.

## **PRODUCTION MANAGEMENT**

### **General: *Promotion, Organization, Policy, Development***

#### **How a Small Plant Applies Efficiency Methods**

"One of the common mistakes of the management of small plants is the belief that only large firms can afford to tinker with the relationship of men, mechanisms and material, that only big concerns can spare the money to pay for efficient ad-

ministration and operation," says the vice-president and factory manager of R. G. Haskins Co., in a discussion of how that organization accomplished the essential acquisition of modern methods and machines. Two steps, he says, are necessary: the finding and using of the proper cost systems, of keeping stock records and of

storing stocks in the right way—which can be confined merely to the printing of appropriate forms; and the purchase of the latest types of machines. He discusses these two steps as they have been undertaken in the R. G. Haskins Co. By H. Goldberg. *Mill & Factory*, February, 1933, p. 37:5.

#### **Preparation, Distribution and Control of Labour in Agriculture**

By F. E. Tapernoux. *Proceedings of the Fifth International Congress for Scientific Management*, Vol. II, Amsterdam, July, 1932, p. 10-1:7.

#### **A Nation-Wide Survey of the Marking Devices Industry**

This report presents the results of a nation-wide survey of the marking devices

industry. The findings cover almost every phase of activities in the industry and the principles developed are not limited in their application to this one industry. They suggest ideas that may be applied in other lines of business in connection with their production and distribution problems. By Donald K. Wallace. *United States Department of Commerce*, December, 1932, 131 pages.

#### **A Cost Accountant Reduces Cost and Improves Quality in a Hosiery Mill**

The development of a program for cost and quality control in the mending department of the NACA Hosiery Mills is described. A method of quality and inspection control developed and a quality bonus installed are described. By Dwight M. Allgood. *N. A. C. A. Bulletin*, Feb. 1, 1933, Sec. I, p. 833:19.

### **Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration**

#### **Ford, Wages and Depression**

Trade paralysis has not shaken Henry Ford's belief in the necessity of high wages; he says he hasn't cut as much as the dollar has gone up and will raise rates as fast as volume picks up. He calls spread-work a fallacy "that just makes everybody poor."

Mr. Ford believes "industry must decentralize. It must break up into small plants in small towns and villages, where the workman can have a piece of ground and make himself sure of subsistence at least." An interview with Marc A. Rose. *The Business Week*, Feb. 22, 1933, p. 10:2.

#### **Personnel Problems Raised by the Present Economic Crisis**

The personnel management movement was the most potent factor in stopping the trade union movement in the United States. Personnel management set up a competing leadership for labor and stopped the labor movement by cleaning up the shop, providing decent air and light, by the safety first movement, through personal contacts,

and through conceding the principle of collective bargaining through the employee representation movement.

This depression has undone fifteen years or so of good personnel work. The whole trend in personnel management since 1931 has been to hire a man for personnel work who thinks like the higher executive, that is, in terms of property, profits, sales, etc., instead of thinking in terms of the human factor. The personnel man who thought in terms of human beings was gradually being weeded out as being "wild" and "impractical." Personnel men, in the opinion of higher management, became saner and saner. They thought more in terms of business than in terms of human beings. A personnel man, to be of any real value to the employer, must think in terms of human values which are impractical in the business world.

From the point of view of the individual business, at the present time business is solvent, but from the point of view of the community, business is now bankrupt. A

great number of people who are not now making a living through business enterprise are living at the expense of the community. The community must, therefore, be taxed to support them. From the point of view of the community, business ought to be supporting them because that is the reason for which business exists.

Labor is going to look to legislation and not to personnel management for a solution of the unemployment problem. Unemployment insurance is coming with reserves and maintenance for human investment in industry. We need a three-fold scheme: 1. Public agencies; 2. Unemployment insurance for the great body of workers; 3. Crisis relief on top of unemployment insurance because no unemployment insurance system will take care of the depression that extends over a period of five or six years. *An address by Dr. William M. Leiserson before the Personnel Club of New York, Friday, Feb. 24, 1933.*

#### Unemployment Relief in Wisconsin, 1932-1933

*Bureau of Unemployment Relief Series No. 4, Industrial Commission of Wisconsin, February, 1933. 33 pages.*

#### Plans for Speeding Economic Recovery in America

A symposium enumerating some of the principal recommendations made by leaders representing a wide variety of interests. *Sales Management, Section II, March 15, 1933, p. 279:30.*

#### The World's Output of Work

The total amount of work done in the world may be computed if reasonable general assumptions are made. Human labor corresponds to about one-eighth of the total, whereas mechanical work done by the utilization of the energy in coal corresponds to two-thirds. The work done by petroleum greatly exceeds that done by water power which is less than human work. The per capita work done in the different countries of the world varies widely, ranging from 13 horsepower-hours daily

per capita in the United States to less than one-half horsepower-hour in India and China. A general relationship between work done *per capita* and economic well-being is observable; but a precise correlation is not yet possible. By Thomas T. Read. *The American Economic Review*, March, 1933, p. 55:6.

#### Labor Stability: Debits and Credits

A discussion of some inevitable complexities in labor utilization with the conclusion:

"It would be difficult to draw up a balance sheet showing accurately the debit and credit items resulting from labor stability. Probably it is safe to say that there is a net credit balance. A return to the conditions of an agricultural and craft civilization is impossible, and certainly none of us would want to go back to the haphazard methods of the earlier industrial era, with their accompaniment of high turnover, irresponsibility and floating labor. The only logical course is to go forward, utilizing the advantages of labor permanency and meeting its problems as they arise. For the solution of these problems American industry will need the brains and consciences of its ablest leaders, and it is encouraging that these leaders each year are devoting more attention to human factors." By Edward S. Cowdrick. *Industrial Relations*, Dec. 31, 1932, p. 643:4.

#### Unemployment Relief in the United States and Canada

A list of references to recent publications on unemployment and relief divided under the following heads: statistics, federal relief, state aid, community organization, effect of unemployment on family life, methods of giving relief, self-help, opportunities for gardening, etc. *Bulletin of the Russell Sage Foundation Library, No. 116, December, 1932. 12 pages.*

#### Five Years of "Work-Sharing"

The Armored Service Corporation adopted a plan in 1927 which, though permitting company operations to continue on the basis of a six-day week, provided a

five-day week for employees. The ground-work of the plan closely parallels the current Share-the-Work idea. The vice-president and general manager of Armored Service discusses the careful job and produc-

tion analysis which preceded the adoption of the program in his company, and the results that followed. By Durant Rose. *Executives Service Bulletin*, March, 1933, p. 5:3.

### **Employment: Classification, Selection, Tests, Turnover**

#### **Quelques Expériences Recueillies Par Les Usines Ganz en Connexion de L'Introduction du Système Bedaux**

Degree of organization reached before the Bedaux-System was introduced. Preparatory work: convincing the leaders, the foremen and the workmen of the absolute necessity of increasing output; introduction of a system of administration suiting the Bedaux-System. Actual starting of the

work under the new system; difficulties which had to be overcome.

Examples of experience collected: personal influence of leaders in introducing the new system; raising of output by the individual treatment of workmen; a few characteristic cases of increasing the output. By M. Charles de Vamossy. *Proceedings of the Fifth International Congress for Scientific Management*, Vol. II, Amsterdam, July, 1932, p. 7-41:5.

### **Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study**

#### **Eliminating Red Tape in Controlling Production**

By means of a few simple records the Michigan Tool Company, operating a plant in which every order can be classed as a special order, effectively controls production, thereby reducing processing time, decreasing inventories of raw stocks and increasing its ability to meet emergency requirements of customers. The shop superintendent handles all inquiries from customers about the status of work in the shop. A visual card indexing system helps him to keep a watchful eye on all orders in process. By Burnham Finney. *The Iron Age*, March 16, 1933, p. 424:2.

standardizing the job, including machines, materials, methods and conditions.

The second part of this article gives a detailed explanation of how a job time study is built up, covering the procedure at Westinghouse plants. How the human equation is met in arriving at the leveling factor to establish the equitable rating for the average worker is treated at length, as are also the corrective factors to allow for the inevitable time losses that occur independently of the processing itself. By G. J. Stegemerten. *The Iron Age*, Feb. 9, 1933, p. 228:4; March 2, 1933, p. 348:5.

#### **Job Standardization—Its Aims and Installation**

In a discussion of the aims of job standardization and its application, the superintendent of the time study department, Westinghouse Electric & Manufacturing Company, points out that at Westinghouse, in addition to recognition at all times of the human factors, emphasis is placed on the fact that time studies are secondary to

#### **Time and Motion Study**

A series of discussions on time and motion study, and rate-fixing, particularly as applied to British plants. *The Journal of the Institution of Production Engineers*, December, 1932, p. 351-418.

#### **Improved Handling Methods Speed Output of Auto Bodies**

An example of modern efficient production of automobile bodies is found at the Detroit plant of the Murray Corporation



of America, where the equipment is geared up to a capacity of 1,800 bodies a day. To secure this high production it was necessary to give due consideration to the prob-

lem of materials handling. Some of the features in the successful solution of this problem are described. By Herbert R. Simonds. *The Iron Age*, Dec. 29, 1932, p. 990:3.

### **Benefit Systems and Incentives: *Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership***

#### **For Group and Unemployment Insurance See Insurance Section**

#### **U. S. Steel Holding Employee Loyalty**

In its latest offering of common stock to employees at \$27 a share, the United States Steel Corporation is wisely laying a backlog for future employee loyalty. Despite the depressed conditions in the steel industry which have necessitated both layoffs and wage reductions, the management is building soundly for the period of returning prosperity by keeping the goodwill of its workers. One contributory influence in the situation has been the fact that the employees have not been asked to bear the brunt of the liquidation necessary to reduce production schedules. The omission of the common stock dividend and the reduction in the preferred have shown the

intention of the directors to place no unfair burden on the workers.

The 1933 offering consists of 200,000 shares. If this is fully taken, the total held by employees will approximate 1,200,000 shares, or more than one-eighth of the present shares outstanding. Although no dividends are now being paid on this stock, special benefits will be given, consisting of \$2 a share in the first two years and \$3 a share in the three remaining years during which the employees will pay for the stock. These benefits are slightly smaller than those offered a year ago, inasmuch as not more than 50 per cent of the total subscription may be paid in bonuses in the five-year period. *Babson's Reports, Management—Wage Bulletin*, March 6, 1933, p. 5.

### **Research and Experiment**

#### **Test—Test—Test**

A discussion of the essentials of a product development program. Of the several hundred new products put on the market during the last two depression years, some were successes, others failures. Why?

The answer is to be found in the plans behind them. Were they tested against consumer needs, production possibilities, dealer demand? Was the advertising based on a thorough knowledge of consumer wants and needs? Was it tested against experience, against actual market

conditions? Were they "long shots"—or carefully conceived "sure-things"?

General Foods has been unusually successful with its new products. The reason lies in its product development program and the use of advertising which is an essential part of that program. In its essentials this program can be used by any manufacturer, large or small. The plan's the thing—not the size of the company. As told by Lewis W. Waters to C. B. Larrabee. *Printers' Ink*, Jan. 26, 1933, p. 3:5.

### **Plant: Location, Lighting, Heating, Ventilation**

#### **A Cleaner Plant at Less Expense**

In the Fisher Flouring Mills Company management and maintenance work together on the job of choosing the right

cleaning equipment for the specific job and setting standard rates for cleaning floors, walls and process machinery. Each floor of the plant has been laid out diagram-

matically on a small floor plan which constitutes a work plan for each day. Similarly, the superintendent is kept informed of how the work proceeds. By F. J. White. *Factory Management and Maintenance*, March, 1933, p. 94:2.

**It Cost \$30,000 to Move, But—We'll Save \$125,000!**

How Foote Brothers Gear and Machine Company abandoned a 5-story plant, consolidated its manufacturing in one modern unit, and is now able to operate at a profit on one-eighth the old volume. Every detail, from power wiring to actual transfer of equipment, was so carefully planned that machine tools were dropped into place, and within two hours were ready to pick up

where they left off. How the move was planned and accomplished—how \$30,000 spent became \$125,000 saved—is described. Layout charts are illustrated. By Franklin H. Fowler and W. A. Barr. *Factory Management and Maintenance*, March, 1933, p. 73:4.

**Two Studies in the Psychological Effects of Noise**

Psychological Experiments on the Effects of Noise. By K. G. Pollock and F. C. Bartlett. The Effects of Noise on the Performance of Weavers. By H. C. Weston and S. Adams. *Report No. 65, Industrial Health Research Board*, 1932. 70 pages.

**Labor Relations: Collective Bargaining, Employee Representation, Arbitration**

**Establishment of Industrial Councils in the Netherlands**

A system of industrial councils for the Netherlands is provided for by a recent law. The councils are to consist of from 6 to 20 members, depending upon the character of the industry or enterprise. One-half of the members are to be appointed by labor unions and the other half by em-

ployers' associations. A council may act as a deliberative, advisory, executive or arbitral body in matters concerning the affairs of their respective enterprises, such as trade agreements, training of workers, combating of unemployment, promotion of good relations between employers and workers, and technical and commercial matters. *Monthly Labor Review*, February, 1933, p. 309:1.

## MARKETING MANAGEMENT

**Some Recent Changes in the Marketing of Consumer Goods**

In this survey three classes of changes are mentioned: 1. General changes which affect the whole marketing structure and its functions—such as the increasing emphasis upon the consumer and his wants, the increasing importance of the purchases of goods of the postponable type, the significance of these changes, and the development of a more balanced viewpoint as to the interacting relationship of volume of sales, gross margins, and expense. 2. Institutional changes—the testing of large-scale distributing organizations by the depression,

the growth of organizations among independents, the development of new classes of wholesalers and the decline of others. 3. Changes in attitudes, functions and policies in the internal management of marketing enterprises, the emphasis upon product planning and product research, the development of a saner attitude toward market analysis and sales research, and the increased emphasis upon sales analysis and sales control.

Certainly, any attempt to bring about an application of economic planning to relieve insecurity and unemployment will have to take account of economic principles relat-

ing to consumer demand, and the broad development in the field of marketing should furnish basic data and experience to take discussion of economic planning out of the obscurity of generalities into the light of practical accomplishment. By Harry R. Tosdal. *Harvard Business Review*, January, 1933, p. 156:9.

### Management Is Back at Its Desk with Sleeves Rolled Up

The president of Norge Corporation (electric refrigerators) describes the management methods and ideas which that organization adopted to combat the effects of the depression on its business. That they have been effective is evidenced by the statement that "we ended 1931 with a 460 per cent sales increase. At the turn of the first half of 1932, we were within 6 per cent of our entire 1931 sales volume and, at the end of the year, our sales were far ahead of those of 1931." By Major Howard E. Blood. *Executives Service Bulletin*, March, 1933, p. 1:3.

### New Market Plan Stirs Food Trade

The rapid spread throughout the East of "supermarkets" in which foodstuffs and household necessities are retailed strictly on a price basis was forecast recently by R. O. Dawson, directing head of the "Big Bear" supermarket now operating in an abandoned Elizabeth, N. J., automobile factory. Such markets, set up in idle garages factories or in other buildings obtainable at nominal rentals, are causing deep concern to corporate chains, independent retail merchants, wholesalers and to manufacturers of grocery products, because of the cut-price policies which the establishments seek to popularize.

Claiming to do business on a gross margin ranging between 6 and 9 per cent, sponsors of the supermarkets contend they will divert a minimum of \$15,000,000 worth of business from the chain and independent grocery retailers this year. This estimate, according to grocery manufacturers, is no exaggeration and may go much higher unless the combined opposition of chain

groups, independent retail merchants' associations and wholesale grocers are successful in overcoming the competition.

Meeting the action of two leading producers of biscuits, who have refused to sell further goods to the Elizabeth market because of its cut-price policy, executives have turned to the purchase of biscuits and cookies in bulk, packing them in a special department set up for the purpose. With advertisements barred out of local newspapers and a local ordinance prohibiting the distribution of circulars in the making, the market has turned to the use of a "blimp," sent over Northern New Jersey to advertise the store. *The New York Times*, Feb. 19, 1933.

### A Summary of the United States Census of 1930 for All Cities of 100,000 and More

The purpose of this summary is to present the most useful information the Census has to offer those interested in merchandising and advertising. Three sets of figures which were not compiled by the Census Bureau have been included—income tax returns, electric subscribers, home telephones.

Part II of this report is a regional breakdown of the 93 cities into five sectional groups. The data have been repeated for each of the five sectional groups in order to assist those who may, from time to time, wish to compare cities in certain sections of the country without being confused by the intrusion of the other cities into their calculations. *E. Kats Special Advertising Agency*, November, 1932. 37 pages.

### 1931 N. S. P. A. Jobbers' Operating Expense Analysis and Internal Management Report

This report shows operating expense statistics divided by groups according to net sales volume for automotive jobbers and also contains pertinent comments and suggestions on the data.

The information is presented under the following headings: Comments on In-

ternal Management; Merchandise Statement Analysis; Profits and Expenses by Groups; Average, High and Low Profit and Expenses by Groups. *Bulletin No. 841, National Standard Parts Association*, July 20, 1932. 8 pages.

#### How Six Companies Licked Depression Sales Problems

1. Consignment selling increased sales 500 per cent for Tung-Sol Radio Tubes, Inc.; 2. One-third fewer salesmen in the Puritan Soap Company resulted in no slump in coverage; 3. Budgeting helped to take branch offices of an office appliance company out of the red; 4. The Timken Silent Automatic Company boosted off-season sales with a premium offer; 5. The Selby Shoe Company developed a program for its semi-annual sales conference which went back to fundamentals and taught the men the A B C's of salesmanship; 6. A thorough-going method of supporting distributors' salesmen in their quest for business keeps the P. A. Geier Company in close touch with its distributors and their men. *Printers' Ink Monthly*, February, 1933, p. 17:4.

#### Suggestions Show Our Managers Are Thinking

The G. C. Murphy Company (five and ten cent stores) has found that having a suggestion box proves of definite value. Of 130 ideas presented in one month by clerks, porters, stenographers, managers, as to the betterment of the company's business, its welfare and the goods it sells, 15 were put in use. Typical suggestions are given. By B. E. McSheehy. *Chain Store Age*, February, 1933, p. 10:3.

#### 1932 N. S. P. A. Automotive Manufacturers' Statistical Survey

This Automotive Manufacturers Statistical Survey was undertaken with the view of bringing to light the nature and extent of the competition faced by manufacturer members of the National Standard Parts Association, and typical marketing practices and costs of N.S.P.A. manufacturers

of service parts, shop equipment, service tools and supplies.

The data have been analyzed and presented under the following headings: Number of Competitors; Competitors Who "Spot Sell"; Wholesale Accounts Who "Spot Buy"; Volume of Popular Items Obtained; Change in Number of Competitors; Division of Total Sales Volume; Manufacturers Who Warehouse; Manufacturers Who Allow Carrying Charges; Sales from Factory to Wholesalers Direct; Sales to Wholesalers Through Warehouses; Orders Received from Wholesalers by Mail; Number of Orders Handled; Relative Dollar Volume of Wholesale Business; Comparative Net Sales to Wholesalers; Number of Wholesaler or Jobber Accounts; Number of Wholesale Salesmen Employed; Frequency of Contact with Wholesalers; Manufacturers Employing Missionary Men; Salesmen's Time Required on Missionary Work; Trade Meeting Features; Value of Prizes and Donations; Comparative List Prices; Catalogs, Supplements and Price Schedules; Wholesale Sales Expense, Service Parts Manufacturers; Wholesale Sales Expense, Shop Equipment Manufacturers; Wholesale Sales Expense, Service Tools Manufacturers; Wholesale Sales Expense, Miscellaneous Manufacturers. *Bulletin No. 907, National Standard Parts Association*, Dec. 20, 1932. 11 pages.

#### Johns-Manville's Time Payment Remodeling Plan—and How It Works

The Johns-Manville deferred payment plan for financing home remodeling contracts—which, for the first time, has brought time payment financing by a manufacturer into the building materials field in such an extended way—has passed through three stages in its three-year history and has become more effective and workable with each stage, until now it has proved a real business getter with less than a 2 per cent credit loss.

Johns-Manville does the financing, and, immediately upon completion of the job, advances to the contractor 100 per cent of the contract with the home owner. Johns-



Manville assumes not only all of the credit investigation expense, the legal and collection expense, but also all the credit risk. The contractor's only responsibility in the job is for his workmanship and, in the protection of responsible dealers and contractors against unfair competition, each deferred payment contractor is required to execute a guarantee of his workmanship. The guarantee takes the form of a simple agreement to adjust satisfactorily any complaints concerning workmanship, or failing to do that, to repurchase the note.

The plan is being merchandised to dealers and contractors by means of booklets, trade advertising, direct mail helps and personal contact of the sales force and representatives of the credit department. By J. L. Wood. *Sales Management, Section I*, March 15, 1933, p. 255:2.

#### **An Aid for Analyzing the Market for General Consumer Goods in New England**

By Charles B. Eliot. *United States Department of Commerce*, 1933. 17 pages.

#### **How Imperial Induces Key Dealers to Feature Its Line of Candies**

A "mutual merchandising agreement" has enabled the Imperial Candy Company to win many good outlets on an exclusive or semi-exclusive basis, and, where the plan has been intelligently exploited, has enabled many dealers to double or more than double their sales in the candy department. The plan is explained. By Mandus E. Bridston. *Sales Management, Section I*, March 15, 1933, p. 251:2.

#### **A Laboratory for the Salesman—Independent of General Research**

The paint and varnish laboratory of the Titanium Pigment Company, Inc., is a fully equipped factory in miniature with all facilities for processing and testing. It is a part of the sales department and under immediate supervision of the general sales engineer.

In this laboratory there is conducted an exhaustive study of the fundamental prin-

ciples which underlie the successful use of the company's products. Thus the function of the laboratory is both sales service and sales development. It has the further function of bringing the manufacturing and research divisions of the company in contact with the problems of pigment application to acquaint them with customer problems. It is believed that the greatest value of this organization arises from its intimate contact with the manufacturing consumer as compared to the generally isolated position of many research laboratories. By Ivan D. Hagar and D. W. Robertson. *Research Laboratory Record*, February, 1933, p. 92:4.

#### **Eight Years of Steadily Increasing Sales Credited to Merchandising Methods**

The director of merchandising of the Samson-United Corporation (electrical appliances) describes that organization's research on raw and finished materials, and discusses its merchandising program. He attributes the company's rapid growth and the appreciable yearly increases in sales volume to a willing disregard of precedents, careful analyses of markets, thorough production studies and the searching consideration given every product from the merchandising angle. By Oswald MacCarthy. *Executives Service Bulletin*, March, 1933, p. 3:2.

#### **General Motors Commands**

General Motors solved some of the difficulties which confront all medium-priced car makers by centralizing sales and service for Buick, Olds and Pontiac. The first year of centralized control has proved satisfactory.

"B-O-P," as this new selling machine is known, consists of a general sales manager, an assistant general sales manager, over a sales manager and an advertising manager for each of the three cars. There are also five regional managers and 33 zone managers, under whom are the zone representatives. A single body replaces the three factory field organizations in each zone. There is a single warehouse for whole-

sale distribution of cars and parts to speed up service. There are just about as many men in the field as before, but instead of being divided into three duplicating set-ups they now work under unified command. There are more specialists to aid the dealer, to devise new sales technique for the changed conditions. Then, too, the single, compact system is faster and more flexible, decisions on matters of policy, on dealer activities, can be made more quickly. *The Business Week*, Feb. 22, 1933, p. 12:1.

#### **All Business Men Becoming Merchandising Minded Again**

How various companies in the cement industry have met depression conditions by proper merchandising methods, such as emphasis on the intangible values of tangible products, the discovery of new uses and new fields for cement, the development of salesmen, and market research, is told by the President of the Portland Cement Association, who says in concluding: "The emphasis today is on merchandising. It will continue there for a long time. For even after this depression, should present plant capacity be loaded, it will still be

easier to create production facilities than customers. The distribution era is here; production is its servant." By Edward J. Mehren. *Credit Executive*, February, 1933, p. 16:2.

#### **1932 N. S. P. A. Automotive Wholesalers' Statistical Survey**

Statistics and figures compiled from 147 questionnaires answered by automobile jobbers who are members of the National Standard Parts Association have been analyzed and are presented under the following headings: Comparative Gross Sales 1931-1932; Division of Sales—Outlets, Retail, Counter, Cash; Total Number of Employees 1931-1932; Comparative Inventories 1931-1932; Purchasing Data; Surplus and Obsolete Merchandise Data; Salesmen, number employed; Salesmen's Compensation and Expense Data; Comparative Unit of Sale 1931-1932; Sales Promotion Activities; Discounts Granted According to Trade Classification; Catalog Data; Delivery Data; Credit and Collection Data; General Data. *Bulletin No. 908, National Standard Parts Association*, Dec. 20, 1932. 13 pages.

### **Salesmen: Selection, Training, Compensation**

#### **New Trends in Salesmen's Automobile Expense Control**

This report emphasizes two important trends: 1. The growing practice of letting salesmen own their own cars, instead of the company buying and operating them; 2. The use of a sliding mileage rate instead of the fixed rate heretofore used.

The experiences of such companies as General Foods, Holeproof Hosiery, General Mills, Clark Bros., are given. The mileage allowance table for employee-owned cars, used by Swift & Co., is also included. *Dartnell Report No. 392*. 22 pages.

#### **This Sales Meeting Program Does Seven Jobs**

The semi-annual sales conferences of the Benedict Manufacturing Company have been designed to accomplish the following:

1. Present the company's new items clearly, attractively and forcefully to all the salesmen;
2. Present the company's advertising and sales plans;
3. Obtain suggestions for new items to manufacture from the salesmen;
4. Obtain suggestions for new advertising and sales plans;
5. Impress the salesmen with the degree of cooperation they could expect from the inside staff;
6. Make the salesmen feel they are a vital force in determining new articles and sales plans;
7. Send them back to their territories with the feeling that they have the greatest line, the fairest prices, the best factory cooperation of any group of salesmen.

The program of the latest Benedict convention is given. By L. E. Barnes. *Printers' Ink Monthly*, March, 1933, p. 25:2.

**Are You Pressing the Wrong Button?**

Does the average salesman put the cart before the horse in his sales work? Are we all boring our prospects with too much talk about price and product? Are too many salesmen mere "bone grabbers"? Isn't it possible to be a human being and

a salesman at the same time? These are some of the questions this article brings to mind. It scouts some so-called "scientific selling" theories and discusses the human equation in selling. By S. D. Wakefield. *The American Salesman*, February, 1933, p. 10:5.

**Buying, Receiving, Storing, Shipping****Give the Shipping Container an Advertising Job**

Many manufacturers are making the shipping container do a real selling job. Lucky Strike cigarettes, Vick's VapoRub, Par Coffee, Sweetheart Soap Flakes are some of the products mentioned, whose shipping containers carry the products advertisement into the consumer's home, as de-

livery cartons for sizable grocery orders. By C. B. Larrabee. *Printers' Ink Monthly*, February, 1933, p. 32:2.

**Purchasing Policies and Practices of Chain Drug Companies**

By Ernest F. Witte. *The Journal of Business of the University of Chicago*, January, 1933, Part 2. 95 pages.

**Sales Promotion: Letters, House Organs, Advertising****A New Method of Testing Advertising Effectiveness**

The results of a method of testing advertising effectiveness among housewives, recently tried by a group of psychologists in various parts of the country, illustrate the amazing influence advertising can exert on consumers in the home.

The test and method of procedure are given and the following conclusions drawn: Physical factors—size of advertisement, use of color, type of illustration, position, layout, etc.—are of decidedly minor importance. An advertising theme which does not have a strong effect immediately does not accumulate much in effectiveness through periodic repetition. If an advertisement does not register effectively when published in one of the major magazines, the addition of other magazines will not add substantially to the net result.

The most critical factor in the effectiveness of advertising, and the one which dwarfs all other factors in comparison, is the character of the central theme or the advertising message. If a message has a definite and vital connection with the habits, interests, emotional patterns, and experience of a sufficient number of people,

it will make an impression in spite of the physical factors of form and media used in presenting it. While the satisfying nature of the product is basic, the question of effective advertising involves psychological problems beyond the scope of the product and its uses. By Henry C. Link. *Harvard Business Review*, January, 1933, p. 165:13.

**Employees' Campaign Nets \$446,000 Sales in Five Months**

Too many big companies are still overlooking the sales opportunities represented by their large bodies of employees. The Associated Gas and Electric System "Employees' Business Building Plan" is expected to sell about \$5,000,000 worth of appliances (\$1,000,000 in annual revenue) during the first year. A report of the first five months' work is given. By L. D. West. *Sales Management*, Jan. 15, 1933, p. 54:3.

**How Squibb "Weeks" Doubled Business for 3,000 Dealers**

How much of the demand created by national advertising is going unredeemed in sales because of poor coordination between

that advertising, local display and better retail salesmanship? Not until Squibb found this vigorous plan for merchandising their advertising through key stores did they begin to get the volume of business through these outlets to which their advertising justly entitled them. Based on an interview with Clyde Eddy by A. R. Hahn. *Sales Management*, Feb. 15, 1933, p. 151:4.

### Increasing the Size of the Order

Among the methods described as used by various concerns to help salesmen to a larger unit of sale are: deferred datings as incentive to larger orders; special concessions on orders for full requirements; market analysis as an inducement to increase size of orders; the Westinghouse "market invasion" contest; special allowances for special assortments. *Dartnell Report No. 396*. 22 pages.

### How Allen-Ingraham Develop Champion Quota-Busters

It was not accidental that Allen-Ingraham men, New York retail distributors of Westinghouse refrigerators and appliances, carried off first, second and third honors in the nation-wide competition held by Westinghouse last year. The 250 men who comprise this organization have discovered that a program of planned selling, coupled

with hard work and complete group co-operation cannot fail to bring in orders. The Allen-Ingraham training program is discussed and a chart given which is a graphic analysis of how the company analyzes the reasons for success and failure for its salesmen. Based on an interview with R. C. Hill by Dorothy Guernsey. *Sales Management*, March 1, 1933, p. 203:3.

### Death Among the House-Organ

It has been found that at least one house-organ in every three fell before the blast of the depression. Even 20-year veterans fell in 1932. The majority were house-organs of modest size, but the list included big and little. Economy was the almost unanimous reason. Practically all indicate the intention to resume publication when business shows a gleam of recovery.

Many expedients have been invoked to cut house-organ costs; the commonest is reduced frequency of issue. Many have cut down the number of pages or the page size; less color is being used. In some cases wise savings are secured by weeding out unprofitable circulation. When house-organs are good they are very, very valuable. Many companies issue as many as four house-organs and throw large advertising responsibilities upon them. *Western Advertising*, February, 1933, p. 41:3.

## Retailing

### Shipping Charges and Small Units Cut Profits

A reason for the more profitable operation of European department stores as compared with American establishments is the policy of domestic stores of buying small quantities of the same merchandise weekly or every other day and paying express or parcel post charges which are out of proportion to the value of the merchandise. E. E. Fuller stated recently.

He referred also to the desire of many retail buyers here to handle 5 and 10 cent items and "to deliver and charge them, with all the attendant extra overhead costs

that the low-price chains do not have to assume." The European stores handle the same article in larger bulk or better quality or both, selling at a higher unit price. "It would seem," Mr. Fuller asserted, "that if the management of large stores here was to charge extra for additional service and handle merchandise of greater value in larger bulk their losses could be turned into profits." *The New York Times*, Feb. 26, 1933, p. N 15.

### Stores Take Steps to Reduce Losses

Practical steps being taken by both large and small stores to get back to a profit



basis include: 1. Headway made in the reduction of major fixed charges; 2. The important trend toward simplification of store organization; 3. Achievement of local cooperation among stores to reduce the extremely costly competition in service; 4. More effective merchandising is being done; 5. Better selling is being achieved, or at least the need of it is more generally recognized. Better methods of recompense, however, are sorely needed to provide proper stimulus, not only for sales people but for buyers. *The New York Times*, February 26, 1933, p. N 15.

#### Aids to Retail Grocery Profits

The plans for improved grocery store operation described in this booklet came out of the actual experience of grocery stores, determined by the Louisville survey. Greater profits for the grocers and greater benefits to consumers through improved service and more economical operation have resulted from the use of these plans. This bulletin presents the essential material in form for quick grasp and direct application by the practical grocer. *Domestic Commerce Series No. 71, United States Department of Commerce*, 1933. 68 pages.

## Survey of Books for Executives

**Job-Load Analysis and Planning of Executive Work in National-Forest Administration.** A manual for forest officers. By E. W. Loveridge. United States Department of Agriculture, Washington, D. C., 1932. 236 pages. 25c.

The Forest Service of the United States Department of Agriculture has made unusually intelligent use of business management practices, especially in job analysis and personnel administration.

Nowhere else than in this document does one find as satisfactory material on job analysis as applied to executive and supervisory work, especially the discussion of the procedure to follow in making combined job and time analyses of executive positions, termed herein job-load analysis.

The manual covers: 1. Aims and Problems; 2. Methods; and 3. Results.

Under problems and aims are:

1. To get work done properly.
2. To make positions as interesting as possible to the class of men who should occupy them.
3. To make each forest a well-balanced, practicable model.
4. To overcome the great variation in work load between administrative units of equal manpower.
5. To obtain a fairer distribution of the work load among the men responsible for handling it.

6. To remain abreast of the best administrative practices in other lines of activity.

7. To remain abreast of changing conditions.

8. To determine whether equipment is properly placed in relation to the normal recurrent work.

9. To release funds for development work and for salary increases.

10. To determine training needs.

11. To discover and make available for future use the best technique developed by successful managers.

The methods and process are covered under the headings:

1. Preliminary work; 2. The job descriptions; 3. The job list; 4. The plan; 5. Revision.

The results achieved or to be realized are:

1. Comparison of past actual working time with the proper needs of a position as determined by job-load analysis.

2. Recognition of and evaluation of activities; 3. Economies in administration; 4. Improved standards; 5. Quality results; 6. Intangibles; 7. Comparison of and rating of positions; 8. Basis for sound cost accounting; 9. Improvement of personnel; 10. Freeing of initiative; 11. Improved morale.

W. J. DONALD, Partner,  
James O. McKinsey and Company.

**Money and the Price Level.** By F. M. Huntington-Wilson. Century Company, New York, 1932. 222 pages. \$2.00.

Money policy, the author of this book maintains, is the readiest instrumentality to apply to the urgent need of raising the price level and thereby of lifting the world out of deep depression. "The alternatives," he says, "appear to be recovery, and pretty prompt recovery, or else a breakdown of economic life as we know it, with all the dangers and suffering entailed, and a fresh start for better or for worse."

In simple language, he explains various monetary theories, including the quantitative theory, managed currency, Gresham's law, the monetization of silver, money as the key to the price level, etc., and considers their bearing on the present economic situation.

**Laissez Faire and After.** By O. Fred Boucke. Thomas Y. Crowell Company, New York, 1932. 342 pages. \$3.00.

This is a critical estimate of our economic régime, a brief consideration of national planning, of pending legislative reforms and a plea for a rational plan somewhere between public ownership of productive resources and unbridled individualism.

**The Government in Labor Disputes.** By Edwin E. Witte. McGraw-Hill Book Company, New York, 1932. 352 pages. \$4.00.

"Injunctions in labor disputes have been a subject of much controversy for a generation. Relief from injunctions is organized labor's foremost legislative demand and the principal objective of its non-partisan political campaigns. On no other issue is labor so united; conservatives and radicals alike regard injunctions as an outrage and in strongest terms denounce the courts which issue them. Employers, holding opposite views, feel as keenly," the author says in his Preface.

He presents a complete statement of the injunction question in this book and in addi-

tion gives an account of the rôle of the government in labor disputes in the United States and of all related problems, dealing with both the law and the activities in this field in every branch of federal and state governments. Although decisions, statutes and legal theories are discussed, this is an economic rather than a legal treatise. The aim is not to gain converts for any particular program but to arouse interest in these problems and to give all material facts essential to sound public action.

**Tested Advertising Methods.** By John Caples. Harper & Bros., New York, 1932. 276 pages. \$3.50.

A worthwhile book the purpose of which is to help advertisers derive more profit from advertising by removing guesswork. It is not a theoretical treatise. It tells, from the author's experience in agency work and study of keyed advertising results, how to avoid waste—how to concentrate advertising expenditures on tested advertisements in tested publications. It considers how, in addition to long-pull results, the advertiser can produce immediate results. Chapter headings: The New Advertising Strategy; The Most Important Part of an Advertisement; Right and Wrong Methods of Writing Headlines; Getting the Right Appeal; Keyed Advertising Versus Unkeyed Advertising; Right and Wrong Methods of Writing Copy; How to Solve Special Problems in Copy Writing; How to Appeal to the Masses; What Kinds of Layout and Illustrations Attract the Most Readers?; How to Apply Mail Order Methods to Space Buying; How to Test Your Advertising.

**The Power Fight.** By Stephen Raushenbush. New Republic, Inc., New York, 1932. 308 pages. \$1.00.

This is a provocative book. Undoubtedly it will provoke the laity, who view all public utilities regardless of *genre* as fount of iniquity, into ecstatic palm rubbing at the apparently righteous lambasting administered to utilities in general, and to electric light and power companies in particular.

The guess may be ventured that this book has been equally provocative of some broad grins among the gentry who are perhaps more privy to the facts concerning public utilities than the author of the book.

For his material, Mr. Raushenbush has drawn extensively on the public utility hearings conducted by the Federal Trade Commission, as well as upon other official documents published by the Federal and various state governments. It is a pity that the material extracted from these seemingly reliable sources does not always yield a fairly rounded nor neatly balanced story.

The book is garnished with a sixteen page index and numerous footnotes.

FRANK PARKER, *Professor of Finance, Wharton School of Finance and Commerce, University of Pennsylvania.*

**International Unemployment.** A study of fluctuations in employment and unemployment in several countries 1910-1930. Editor—M. L. Fledderus. International Industrial Relations Institute, The Hague, Holland, 1932. 496 pages. \$2.50.

This volume presents studies made by various economists, of fluctuations in employment in different countries picturing the recurrence of unemployment during the past decades. Conditions in Australia, Canada, China, Germany, France, Great Britain, the United States and Russia are described.

**The Valuation of Real Estate.** By Frederick M. Babcock. McGraw-Hill Book Company, New York, 1932. 593 pages. \$5.00.

A comprehensive treatment of the fundamentals of real estate valuation, showing their interrelation with economic theory and pointing out what must be done to restore real estate to a sound investment position, is contained in this volume. The background of principles and bases of valuation are presented, followed by many examples of valuation, based on ordinary property and covering the type of appraisal problem with which the realtor is commonly faced.

There are chapters on the following topics: The Economic Background; The Valuation Data; The Theory of Valuation; The Methods of Valuation; The Forecasting of Returns; The Valuation of Returns; Details of Valuation Procedure.

**Breaking Into Print.** By F. Fraser Bond. McGraw-Hill Book Company, New York, 1933. 221 pages. \$2.00.

The thesis of this book is that the successful writer must interest his readers. Mr. Bond, Professor of Journalism at Columbia, and former member of the *New York Times* staff, has prepared a handbook and guide to writers who aim at publication and profit in any field. The emphasis is on the reader—his habits, tastes, desires. Chapter headings: Interesting the Average Reader; Understanding the Reader's Psychology; Telling the Reader a Story; Making the Reader See It; Making the Reader Understand It; Making the Reader Feel It; Making the Reader Laugh; The Reader's Interest in the Spoken Word; The Reader's Interest in People.

**Unemployment Insurance and Relief in Germany.** National Industrial Conference Board, Inc., New York, 1933. 107 pages. \$2.00.

The results of an extensive study of unemployment insurance and other forms of relief in operation in Germany, made during the summer of 1932, are contained in this volume. The following conclusions are drawn:

"Germany's experience with unemployment insurance shows conclusively that no insurance system can be devised to take care of depressional unemployment and that the cost of this unemployment falls largely on the state. There is no reason to believe that the experience of the United States would be different. If unemployment insurance is kept on a sound financial basis, that is, if the amount of expenditure is not allowed to exceed the income from contributions, the amount of relief would either be inadequate to provide for more than a small portion of the unem-

played and for a very short time, or the burden of contributions would be economically insupportable. In either event, the major part of the cost would fall on the state. That being the case, the best informed opinion in Germany advocates the establishment of a system that will be based on the following principles: (1) unemployment is not an insurable risk; (2) unemployment relief should be paid by the nation as a whole; and (3) relief should be given not as a legal right but only to persons who are in need and in proportion to the degree of that need."

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**Profits or Prosperity?** By Henry Pratt Fairchild. Harper & Brothers, New York, 1932. 204 pages. \$2.75.

Prof. Fairchild contends that the search for profits is one of the basic difficulties which makes depressions recur. The choice, he maintains, is definitely between profits for a few or prosperity for all. He traces where profits go and shows why their present distribution hampers the ordinary flow of trade and consumption.

That we are witnessing the twilight of capitalism and that a new social order is impending is Prof. Fairchild's prediction. "The new order," he says, "will be more definitely the result of deliberate planning and conscious social manipulation than any previous new order has been. Blind 'social engineering' is giving way to constructive social engineering."

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**Booms and Depressions.** By Irving Fisher. Adelphi Co., New York, 1932. 258 pages. \$2.50.

I cast my vote for this book as required reading for those who desire to come to intellectual grips with the causes of the depression. It is written with scholarship, breadth, open-mindedness and clarity of statement. Professor Fisher discusses nine factors of which he rightly claims account must be taken. The nine are debts, currency-volume, price-level, net-worth, profit, production, psychology of fear, currency-turnover and rates of interest. The rôle of each is explained and something of

their inter-relation. The debt factor is given perhaps the most novel and illuminating consideration for the good reason that it has assumed a major importance as capitalism matures; and like Mr. Lawrence Dennis in his penetrating "Is Capitalism Doomed?", the present author assures us that something fundamental has to be done to keep the permanent burden of debt obligation from increasing. The creation of credit is of course the creation of debt. The issuance of credit (i. e., purchasing power) for new capital uses is the promulgation of debt. Unless new methods of explicit debt liquidation on both short and long term credit issues (namely, bank loans, bonds, mortgages and the like) are consciously evolved, the present unhappy methods of bankruptcy or debt repudiation must continue indefinitely. The payment of interest on two hundred and thirty billions of dollars of private and public debt presents complications for the distribution of national income which are too difficult to cope with in the form this obligation now takes—whether in a depression or not.

Professor Fisher also calls attention again to the "money illusion" and to his own wise and sensible proposals for helping to make the dollar stable in value and purchasing power from one year to another. The world need not be so much at the mercy of a fluctuating unit of exchange value as it now is; but to solve the problem such measures as those here proposed must be understood and agreed to by those in power. This is no simple panacea tract. It is the culmination of the long-time constructive thought of a trained economist of foremost perspicacity. He knows that intelligent control of economic forces is not impossible—it is only postponed by our general reluctance to comprehend and to mobilize for action in a courageous way. I wish that this author could at once be called to the Senate Office Building to conduct a seminar on the whats, whys, hows and whithers of booms and depressions.

ORDWAY TEAD,  
Editor, *Business Books*,  
Harper & Brothers.